

Message Text

LIMITED OFFICIAL USE

PAGE 01 PANAMA 08478 152058Z
ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGRE-00 CIAE-00 COME-00 INR-07
LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03
OMB-01 L-03 H-01 /040 W
----- 015971 /15

R 142020Z DEC 76
FM AMEMBASSY PANAMA
TO SECSTATE WASHDC 0069
INFO AMEMBASSY SAN JOSE

LIMITED OFFICIAL USE PANAMA 8478

E.O. 11652: N/A
TAGS: EAGR, ETRD, PN
SUBJECT: COFFEE PRICES

REF: STATE 302391

1. PANAMA IS A RELATIVELY SIGNIFICANT COFFEE EXPORTER. ANNUAL PRODUCTION HAS AVERAGED 75,000 BAGS (60 KILOS) OVER THE PAST TWO YEARS WITH ANNUAL EXPORTS OF 25,000 BAGS GOING PRIMARILY TO WESTERN EUROPE. THE GOP HAS ATTEMPTED TO STABILIZE EARNINGS TO THE PRODUCERS BY SETTING GUARANTEED PURCHASE PRICES. FOR 1975-76 THESE PRICES WERE: CAFE DE ALTURA - \$50.00/CWT; CAFE DE BAJURA - \$45.00/CWT; AND CAFE DE EXPORTACION - \$60.00/CWT. CEILING PRICES FOR ROASTED COFFEE ARE 84 CENTS/LB WHOLESALE AND 90 CENTS/LB RETAIL.

2. LAST OCTOBER, THE GOP, WORRIED ABOUT THE VOLATILE SITUATION IN THE INTERNATIONAL COFFEE MARKET AND RUMORS OF LUCRATIVE EXPORT OPPORTUNITIES THAT WERE RESULTING IN WINDFALL PROFITS AND THREATENING DOMESTIC SUPPLY SHORTAGES, IMPLEMENTED A NEW COFFEE MARKETING PROGRAM. ACCORDING TO GOVERNMENT SPOKESMEN, THE PRIMARY OBJECTIVES OF THE PROGRAM ARE: (1) TO GUARANTEE AN ADEQUATE SUPPLY OF COFFEE FOR DOMESTIC CONSUMPTION WITHOUT PRICE INCREASES; (2) TO INCREASE THE RETURNS TO THE PRODUCERS OF EXPORT-QUALITY COFFEE; AND (3) TO REDISTRIBUTE EXCESS PROFITS MADE BY THE EXPORTERS. THE PROGRAM WILL FUNCTION AS FOLLOWS: ESTIMATING THE PRODUCTION OF EXPORT QUALITY COFFEE AT 40,000 CWT, THE GOP HAS

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PANAMA 08478 152058Z

FIXED THE EXPORT QUOTA AT 20,000 CWT WITH THE REMAINING

20,000 CWT TO BE HELD FOR LOCAL CONSUMPTION. THE MINIMUM PURCHASE PRICE PAID TO THE PRODUCER FOR THIS HIGH QUALITY COFFEE HAS BEEN SET AT \$74.00/CWT. THE COFFEE EXPORTS WILL BE "TAXED" AT FOUR LEVELS: 1) A "RIGHT TO EXPORT TAX" OF \$20.00/CWT; 2) A TAX OF \$14.00/CWT THAT WILL BE USED TO SUBSIDIZE DOMESTIC CONSUMPTION; 3) A "RESERVE FUND TAX" THAT APPLIES TO EXPORT SALES BETWEEN \$130-145.00/CWT -- 50 PERCENT OF THE AMOUNT GREATER THAN \$130 WILL GO INTO THE FUND; 4) A "TAX" THAT WILL TAKE ALL OF THE AMOUNT ABOVE \$145.00/CWT AND PLACE IT IN A SECOND RESERVE FUND. THE TAXES WILL BE ADMINISTERED BY THE AGRICULTURAL MARKETING INSTITUTE, WHICH PROMISES THAT THE \$14.00 "SUBSIDY TAX" WILL BE PAID TO DOMESTIC ROASTERS BUYING EXPORT-QUALITY COFFEE AT \$74.00/CWT FOR DOMESTIC CONSUMPTION. THIS WOULD MAKE THE NET COST TO THE ROASTER \$60.00/CWT, THE PRICE THAT WAS GUARANTEED LAST YEAR FOR EXPORT QUALITY COFFEE. MEANWHILE, THE GUARANTEED PURCHASE PRICES FOR NON-EXPORT QUALITY COFFEE REMAIN UNCHANGED.

3. IN AN ATTEMPT TO UPGRADE AND EXPAND PANAMA'S COFFEE INDUSTRY, THE GOP HAS APPROVED A PROGRAM TO REPLANT THOUSANDS OF HECTARES OF NON-PRODUCTIVE COFFEE TREES. THE RENOVATION WILL BE ACCOMPLISHED DURING THE PERIOD 1976-1980 WITH THE PLANTING OF CATURRA ROJO VARIETY SEEDLINGS ON FIVE THOUSAND HECTARES OF LAND. THE GOP WILL FURNISH THE SEEDLINGS AND FINANCE THE COST OF INPUTS REQUIRED TO CARRY OUT THE PROGRAM.

4. COMMENT: THE GOP'S AMBITIOUS EFFORT TO ASSURE AN EQUITABLE DISTRIBUTION OF THE INCREASED PROFITS FROM COFFEE EXPORTS HAS MET WITH A LESS THAN ENTHUSIASTIC REACTION FROM THE COFFEE ROASTERS AND EXPORTERS, WHO RESENT WHAT THEY PERCEIVE AS FURTHER GOP INTERUSIONS INTO THE PRIVATE SECTOR. THEY ARE ALSO LESS THAN SANGUINE ABOUT THE ABILITY OF THE AGRICULTURAL MARKETING INSTITUTE TO MANAGE THE PROGRAM. IT IS NOT UNREASONABLE TO SUPPOSE THAT THE OFT-REPORTED SHIPMENTS OF COSTA RICAN AND COLOMBIAN COFFEE THROUGH PANAMA MIGHT SOON BE AUGMENTED BY PANAMANIAN COFFEE SEEKING TO AVOID EXPORT REGISTRATION.

JORDEN

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PANAMA 08478 152058Z

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, PRODUCTION DATA, EXPORT DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 14 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PANAMA08478
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760462-0907
From: PANAMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761244/aaaabmbf.tel
Line Count: 107
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 302391
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 27 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 JUL 2004 by BoyleJA>; APPROVED <29 OCT 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COFFEE PRICES
TAGS: EAGR, ETRD, PN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006